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No. 80-2097

81-52 IN THE

Supreme Court of the United States

October Term, 1981

POTTER INSTRUMENT COMPANY, INC.,
Petitioner,

v.

STORAGE TECHNOLOGY CORPORATION
TELEX COMPUTER PRODUCTS, INC.
SPERRY CORPORATION
CONTROL DATA CORPORATION,
Respondents.

On Writ of Certiorari to the United States Court of Appeals for the Fourth Circuit

RESPONDENTS' BRIEF IN OPPOSITION TO PETITION FOR CERTIORARI

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SPERRY CORPORATION,
CONTROL DATA CORPORATION,
Respondents.

RESPONDENTS' BRIEF IN OPPOSITION TO PETITION FOR CERTIORARI

Nothing about this ordinary patent case which was dismissed because of laches warrants review by the Court. Potter Instrument Company (PICO) merely quarrels with or ignores findings of fact made below and advances the same arguments found wanting by the court of appeals and the district court.

There are no special and important reasons for review by this Court on Writ of Certiorari. No decisions are in conflict and no question of obvious and exceptional error is presented. The courts below did not depart from the accepted and usual course of judicial proceedings. No

important question of federal law requires settlement by this Court. Respondents, therefore, oppose the Petition for Writ of Certiorari to the United States Court of Appeals for the Fourth Circuit.

THE PROCEEDINGS

The Opinion of the United States Court of Appeals for the Fourth Circuit and the Findings and Conclusions of the United States District Court for the Eastern District of Virginia are included in an Appendix to this brief.

STATEMENT OF THE CASE

The patents in suit, 3,226,685 and 3,176,894 (the '685 and '894 patents, respectively) both issued in 1965. As early as 1969, PICO asserted that the '894 patent applied to a type of magnetic tape drive commonly used in the computer industry. When a type of magnetic recording known as "GCR" was proposed as an industry standard in early 1973 to the American National Standards Institute, PICO asserted initially that this standard was covered by the '685 patent. Respondents have steadfastly denied that their equipment infringes these patents.[1]

1. Except for minor "nuisance" settlements, the computer industry has never paid tribute to these patents. Contrary to the unsupported assertion in PICO's Petition at p. 5, IBM developed GCR independently without any reliance on PICO's technology or patents. PICO and IBM did have a broad cross-license agreement involving literally thousands of IBM and PICO patents, but IBM's license under the '685 patent was incidental to the broad cross-license under all patents. Moreover, Henry J. Hall, who conducted the negotiation of the license for IBM, testified unequivocally during his deposition that "other than nuisance value significance" no monetary value was accorded either the '894 or '685 patent by IBM.

After many years of equivocation and changing views of the asserted infringement on behalf of the PICO management, PICO finally filed suits in the district court below in July and November, 1979, charging that an industry standard tape drive infringed the '894 patent and that any device using ANSI standard GCR necessarily infringes the '685 patent. (PICO Petition pp. 5 and 8).

Between the time when PICO first asserted its patents and the bringing of the present suits, extensive decay of the defensive evidence occurred. The '685 patent was already eight years old in 1973 when PICO first asserted the patent, and apparently abandoned its assertion. Both patents were fourteen years old when the present suits were brought in 1979. As is to be expected where patents are 14 years old and about to expire, PICO's delay in bringing suit has led to the loss of much evidence upon which patent defendants usually rely. For example, the recollections of the inventors were considerably dimmed, several important witnesses died during the delay, PICO's files on the patents in suit have been lost or destroyed, including the inventor's files of the '685 patent, which were destroyed in 1979 when a wooden barn where PICO had moved files burned. Relevant documents which should have been in the possession of third parties could not be located and witnesses identified in interrogatory answers could not be located. None of PICO's presently employed management were employed by PICO when relevant events occurred so Respondents were unable to obtain answers to many of the interrogatories that are customarily used in patent cases. Further, because Respondents relied upon PICO's failure to take any action, royalty costs were not included in the sale or lease of their machines and Respondents' marketing strategy was different than it would have been if PICO's claim had been promptly asserted. PICO's delay encouraged Respond-

ents to make massive irreversible investments in their allegedly infringing products during the years when PICO remained silent.

Respondents moved to dismiss the actions in the district court on the grounds of laches, because of the prejudice engendered by the delay in bringing suit. The district court below, after reviewing hundreds of pages of pleadings, thousands of pages of exhibits, numerous briefs from all parties, and subsequent to hearing live testimony and oral argument on four days consuming hundreds of pages of transcript, dismissed PICO's actions for patent infringement in a decision based upon what the district court properly characterized as a "voluminous" evidentiary record. (Appendix A6).

PICO appealed to the Fourth Circuit Court of Appeals arguing the same points which it now asks this Court to review. Because PICO did not perfect its appeal within the required time, Respondents moved to dismiss the appeal. The motion was denied, and this Court denied an interlocutory Petition for a Writ of Certiorari (Docket No. 80-561). Respondents strongly urge the denial of the present Petition because of the lack of jurisdiction brought about by this untimely appeal.[2]

PICO abandoned its appeal with respect to the '894 patent as to all Respondents except Control Data Corporation.

The Fourth Circuit Court of Appeals unanimously affirmed the district court's dismissal on the grounds of laches. The decision is unexceptional and is of interest only to the parties to this law suit. It precludes PICO

2. While the Court of Appeals decision was favorable to Respondents, in view of PICO's Petition, a Cross-Petition for Writ of Certiorari is filed herewith pursuant to Rule 19.5, to preserve this jurisdictional issue and ensure the propriety of raising such issue in this Brief in Opposition.

from collecting damages for past alleged infringement of the two patents in suit but allows PICO to proceed against the government in a suit which it brought in the U. S. Court of Claims and in which the Respondents here are all third party defendants.

PICO asks this Court to review the factual question of the period of delay and the legal question of whether laches requires a set delay, i.e., six years, before it can be invoked.

SUMMARY OF THE ARGUMENT

Respondents oppose the Petition for Writ of Certiorari to the United States Court of Appeals for the Fourth Circuit for the following reasons:

(1) The courts below correctly interpreted a lengthy evidentiary record in finding laches and this Court should not review the extensive factual findings which were entered;

(2) The courts below followed this Court's previous holdings in respect of laches;

(3) No decisions are in conflict with the decisions below;

(4) The Court of Appeals had no jurisdiction in any event.

REASONS WHY THE PETITION SHOULD BE DENIED

The Courts Below Correctly Found the Delay in Filing Suit to Be Unreasonable Based on the Voluminous Record

In upholding the lower court's finding that laches should be applied, the Court of Appeals stated:

> "The district court found that Potter should have known of the alleged infringement of the '894 patent for more than six years before it filed suit. A delay of six years triggers a presumption that the delay was unreasonable and that the defendant was prejudiced. *Eastman v. Kodak*, 616 F. 2d at 1326 (sic)*; *TWM Mfg. Co.*, 592 F. 2d at 348-40. The district court considered and rejected each of the justifications which Potter offered for the delay.
>
> With respect to the '685 patent, the delay in filing suit was slightly less than six years. The district court nonetheless found that the delay was unreasonable and that the defendants were prejudiced." (Court of Appeals' Opinion, Appendix A20-21).

On the factual question of the delay, the district court found:

> "The undisputed evidence clearly shows that Potter delayed bringing suit against these defendants for infringement of the '894 patent for more than six years after it had knowledge of the alleged infringement by these defendants . . .
>
> The plaintiff offers no excuse for its failure to timely sue the defendants under the '685 patent—its position with respect to this patent is that there was

* *Studiengesellschaft Kohle m.b.H. v. Eastman Kodak Co.*

no presumptive unreasonable delay, with the possible exception of STC—the period of delay being less than six years." (Dist. Ct.'s Findings and Conclusions, Appendix A14 & A15).

PICO baldly asserts in its Petition that the delay period was less than six years, but this is directly contrary to the foregoing findings of fact of the courts below, and has no support whatsoever in the record.

The relief sought by the Petition would require this Court to review concurrent findings of the district court and a unanimous court of appeals, and to reappraise the testimony of various fact witnesses and a voluminous record. Questions which challenge factual findings of the court below are inappropriate for review on a Petition for Writ of Certiorari. A court of law such as this Court is, rather than a court for correction of errors in fact finding, cannot undertake to review concurrent findings of fact by two courts below in the absence of a very obvious and exceptional showing of error. *Graver Tank & Mfg. Co. v. Linde Air Products Co.*, 336 U. S. 271, 275 (1949), *adhered to on rehearing*, 339 U. S. 605 (1950), and cases cited therein.

The only question is whether the court below was justified in finding laches where the period of delay was slightly less than six years with respect to some, but not all, of the Respondents and with respect to only one of the patents.

This Court and the Circuit Courts Uniformly Hold That Laches Applies When the Delay Is Unreasonable, Without Reference to a Fixed Period

The length of time during which a party may rest upon his rights, without being guilty of laches varies with the circumstances of each case. *Halstead v. Grinnan*, 152 U. S. 412, 416-17 (1894). In *Costello v. United States*,

365 U. S. 265, 282 (1961), this Court defined the requisite elements for laches as: 1) lack of diligence by the party against whom the defense is asserted; and 2) prejudice to the party asserting the defense. The district court below expressly cited *Costello* and applied the rule to the facts of this case (Appendix A11). The Fourth Circuit Court of Appeals also correctly followed this Court's holdings on laches. The decision need not be reviewed.

No conflict between the circuits on the question of laches in patent cases exists, contrary to PICO's assertion (Petition at p. 10).

The circuit courts have uniformly applied the rule that there is no fixed period of delay time for invoking laches. Cases which have followed this rule include: *Denominational Envelope Co. v. Duplex Envelope Co.*, 80 F. 2d 186, 194 (4th Cir. 1935); *Advanced Hydraulics, Inc. v. Eaton Corp.*, 415 F. Supp. 283 (N. D. Ill. 1976); *Advanced Hydraulics, Inc. v. Otis Elevator Co.*, 525 F. 2d 477, 478 (7th Cir.), *cert. denied*, 423 U. S. 869 (1975); See *Studiengesellschaft Kohle m.b.H. v. Eastman Kodak Co.*, 616 F. 2d 1315, 1325 (5th Cir.), *cert denied*, — U. S. —, 101 S. Ct. 573 (1980); *Whitman v. Walt Disney Productions, Inc.*, 263 F. 2d 229, 232 (9th Cir. 1958); and *Lukens Steel Co. v. American Locomotive Co.*, 197 F. 2d 939, 941 (2d Cir. 1952). PICO does not cite a single case to the contrary.

Where the delay period is more than six years, lack of diligence and resultant prejudice are presumed.[3] How-

3. *TWM Mfg. Co., Inc. v. Dura Corp.*, 592 F. 2d 346 (6th Cir. 1979); See, e.g., *Gilleons v. Shell Co. of California*, 86 F. 2d 600 (9th Cir. 1936), *cert. denied*, 302 U. S. 689 (1937); *Baker Mfg. v. Whitewater Mfg. Co.*, 430 F. 2d 1008 (7th Cir. 1970), *cert. denied*, 401 U. S. 956 (1971); *Jones v. Ceramco, Inc.*, 387 F. Supp. 940 (E. D. N. Y.) *aff'd*, 526 F. 2d 585 (2d Cir. 1975); and *Maloney-Crawford Tank Corp. v. Rocky Mountain Natural Gas Co.*, 494 F. 2d 401 (10th Cir. 1974).

ever, the only applicability of the six year time period is in determining whether there is a presumption of unreasonable delay and prejudice. The courts never apply a fixed six year period in determining the merits of a laches defense.

The Clear Intent of Congress Was to Allow the Courts to Apply Discretionary Time Periods in Determining Laches

35 U. S. C. § 286, referred to in PICO's Petition at p. 9, places a limitation on the period for collecting damages only. It does not set a period for bringing suit; Congress has left this matter to the courts. PICO's assertion (Petition at p. 9) that "[t]he six-year statutory period was introduced to *preclude* the equitable defense of laches within that time" is patently erroneous. 35 U. S. C. § 286 (and its predecessor statute) is intended to supplement the equitable defenses of laches and estoppel, not to supplant them.

The litany about legislative history in PICO's Petition is irrelevant. The Act of March 3, 1897, c. 391, § 6, 29 Stat. 694, which amended the Act of July 8, 1870, c. 230 § 55,, 16 Stat. 206 (the predecessor of 35 U. S. C. § 286) placed a six-year limitation on the period for which damages can be collected.[4] In the intervening years, Congress has never adopted a statute of limitations for patent cases. In the absence of a federal statute of limitations during this period, the courts have applied the law of

4. In context, the patent committee report cited in PICO's Petition at p. 9 should be read as saying that six years is long enough for a patentee to recover for past infringement. The committee report in no way relates to the application of laches in patent cases, other than to infer that laches is in general applicable in such actions.

laches instead of state statutes of limitations. In view of the long lapse of time, the clear intent of Congress is to continue to allow the courts to apply a flexible period of time based on the facts of each individual case. The courts below did this correctly.

The Petition Should Be Denied Because the Court of Appeals Lacked Jurisdiction to Hear the Appeal

As more fully set forth in the concurrently filed Cross-Petition, PICO did not file a timely Notice of Appeal.[5] Thus, PICO's appeal from the district court should not have been heard. No jurisdiction exists for the present Petition. Denying PICO's Petition will have the effect of allowing the district court's decision on the laches issue to stand.

On many occasions heretofore this Court has made clear that time limitations for filing a notice of appeal are mandatory, jurisdictional, and to be strictly applied.[6] This Court has also continued to recognize that any other approach would defeat the time limitation's central purpose of providing finality to judgments. *Browder v. Director, Dept. of Corrections of Ill.*, 434 U. S. 257, 264 (1978), citing *Matton Steamboat Co. v. Murphy*, 319 U. S. 412, 415 (1943).

Fed. R. App. P. 4(a)(4) allows for the running of the time limitations to be tolled by a timely motion filed in the district court pursuant to Fed. R. Civ. P. 52(b) or

5. If PICO's Petition is denied, consideration of the Cross-Petition will not be necessary because it will be moot.

6. See, e.g., *Browder v. Director, Dept. of Corrections of Ill.*, 434 U. S. 257, 264 (1978); *United States v. Robinson*, 361 U. S. 220, 229 (1960). *See also, United States v. F. & M. Schaefer Brewing Co.*, 356 U. S. 227 (1958); *Matton Steamboat Co. v. Murphy*, 319 U. S. 412 (1943); *George v. Victor Talking Mach. Co.*, 293 U. S. 377 (1934); and 73 A. L. R. 2d 235 (1958).

59. *Browder, supra,* at 264. Under those rules a ten-day limitation is allowed for filing the respective motions. The district court is prohibited from enlarging such ten day periods under Fed. R. Civ. P. 6(b). *Lapiczak v. Zaist,* 451 F. 2d 79 (2d Cir. 1971).

Insofar as these provisions touch upon the jurisdictional matter of timeliness of appeal, they too should properly be accorded strict interpretation and application by the lower courts and parties to the suit. *Browder, supra.*

The case presented here is one in which PICO managed to perpetuate its case and take an untimely appeal by a procedural mechanism which is in clear and substantial non-compliance with the Federal Rules of Civil Procedure and Federal Rules of Appellate Procedure. The procedural mechanism it used was a simple one: it merely filed a skeletal post-trial motion for rehearing under Fed. R. Civ. P. 59(e) within the inextensible ten day limitation allowed under the rule. However, the motion did not set forth in particularity any ground therefor as required by Fed. R. Civ. P. 7(b) (hence the name "skeletal" motion for its lack of substance). The offending counsel then took as long as he desired to file his papers or briefs setting forth grounds. In the case presented, this act was done long after the lapse of the ten day limitation for filing the motion and after the lapse of the thirty day limitation allowed for an appeal from entry of judgment.

Respondents filed a motion to dismiss the appeal because it was not timely filed. This was denied, but the court of appeals decided favorably for the Respondents on the merits upholding the decision of the district court. Accordingly, denying the present Petition will have the effect of sustaining the trial court's decision, rendering the jurisdictional issue moot.

CONCLUSION

Laches in filing patent suits depends upon the particular facts of each case without reference to a fixed time period. This Court need not review this well settled law.

PICO asks this Court to make another review of a lengthy record to see if it can find what the district court and the court of appeals were unable to find—justification for an unreasonable delay in bringing suit. This Court has ruled that such factual scrutiny is not a task to be served by a grant of certiorari. The jurisdiction to bring up cases by certiorari "was not conferred upon this Court merely to give the defeated party in the Circuit Court of Appeals another hearing." *Magnum Import Co. v. Coty*, 262 U. S. 159, 163 (1923). Certiorari, therefore, should be denied.

Respectfully submitted,

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APPENDIX

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION

Civil Action No. 79-579-A
POTTER INSTRUMENT COMPANY, INC., *Plaintiff*,

v.

STORAGE TECHNOLOGY CORPORATION, *Defendant.*

Civil Action No. 79-626-A
POTTER INSTRUMENT COMPANY, INC., *Plaintiff*,

v.

TELEX COMPUTER PRODUCTS, INC., *Defendant.*

Civil Action No. 79-993-A
POTTER INSTRUMENT COMPANY, INC., *Plaintiff*,

v.

TELEX COMPUTER PRODUCTS, INC., *Defendant.*

Civil Action No. 79-994-A
POTTER INSTRUMENT COMPANY, INC., *Plaintiff*,

v.

SPERRY CORPORATION, *Defendant.*

Civil Action No. 79-995-A
POTTER INSTRUMENT COMPANY, INC., *Plaintiff*,

v.

CONTROL DATA CORPORATION, *Defendant.*

ORDER

(Filed March 12, 1980)

Upon examination of the voluminous documents filed herein and after careful consideration of the evidence submitted by the parties in support of their respective positions, and upon argument of counsel—the Court is of the opinion that the defendants' joint and several motions to dismiss these consolidated infringement suits on the grounds of laches and equitable estoppel ought to be GRANTED, and

It Is So Ordered.[1]

This without prejudice to Potter's right to pursue its currently pending parallel infringement suits against the United States and these defendants[2] in the United States Court of Claims, if it be so advised.

The Clerk is directed to send a copy of this Order to the Honorable Francis C. Browne of the United States Court of Claims, and to all counsel of record.

United States Senior District Judge
/s/ OREN R. LEWIS

March 12, 1980

All pretrial discovery has been completed—this controversy is now overripe for settlement[3] and/or trial on the

1. The Court will file its findings and conclusions in the next week or so.

2. They were made third-party defendants in the Court of Claims suit in 1978.

3. Hearing on the several pending motions for sanctions will be deferred until this case is settled and/or set for trial in the Court of Claims.

merits in the Court of Claims as soon as that Court's docket permits.

A True Copy, Teste:

W. Farley Powers, Jr., Clerk
By /s/ DOREEN JONES
Deputy Clerk

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION

Civil Action No. 79-579-A
POTTER INSTRUMENT COMPANY, INC., *Plaintiff*,

v.

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Civil Action No. 79-626-A
POTTER INSTRUMENT COMPANY, INC., *Plaintiff*,

v.

TELEX COMPUTER PRODUCTS, INC., *Defendant*.

Civil Action No. 79-993-A
POTTER INSTRUMENT COMPANY, INC., *Plaintiff*,

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TELEX COMPUTER PRODUCTS, INC., *Defendant*.

Civil Action No. 79-994-A
POTTER INSTRUMENT COMPANY, INC., *Plaintiff*,

v.

SPERRY CORPORATION, *Defendant*.

Civil Action No. 79-995-A
POTTER INSTRUMENT COMPANY, INC., *Plaintiff*,

v.

CONTROL DATA CORPORATION, *Defendant*.

FINDINGS AND CONCLUSIONS

(Filed March 25, 1980)

These suits were brought by the Potter Instrument Company, Inc. (Potter) against Storage Technology Corporation (STC),[1] Telex Computer Products, Inc. (Telex),[2] Sperry Corporation (Sperry),[3] and Control Data Corporation (CDC)[4] charging the defendants with infringement of United States Letters Patent No. 3,176,894 ("the '894 patent") by making, using and selling magnetic tape drives employing an "industry standard Z buffer" and United States Letters Patent No. 3,226,685 ("the '685 patent") by making, using and selling magnetic tape recording systems employing Group Coded Record (GCR) adopted as an industry-wide standard by the American National Standards Institute (ANSI).

The defendants claimed these patents were invalid and denied the claimed infringement.

A parallel proceeding is currently pending in the United States Court of Claims. The Court of Claims proceeding was instituted on March 24, 1978 when Potter filed suit against the United States Government alleging infringement of the '894 and '685 patents in connection with the United States Government's use of computer equipment and tape drives supplied by STC, Telex, Sperry and CDC. The defendants were made third-party defendants.

These consolidated cases came on for hearing on the joint and/or individual motions of the defendants for sum-

1. Civil Action No. 79-579-A (filed July 6, 1979).

2. Civil Action Nos. 79-626-A and 79-993-A (filed July 24, 1979 and November 21, 1979, respectively).

3. Civil Action No. 79-994-A (filed November 21, 1979).

4. Civil Action No. 79-995-A (filed November 21, 1979).

mary judgment on the basis of, *inter alia,* file wrapper estoppel, laches, and equitable estoppel.

The Court declared the file wrapper estoppel claim premature and scheduled the laches and estoppel issues for further hearing.

Detailed memoranda of points and authorities, together with voluminous exhibits and live testimony, were submitted by each of the parties in support of their respective positions.

From the record thus made, the Court finds that the '894 patent was issued to Robert E. Schoeneman as inventor on April 6, 1965. This patent, allegedly covering "industry standard Z buffer" magnetic tape drives, was owned by Potter during the time period relevant to this consolidated action.

The '685 patent, allegedly covering the industry standard "GCR" recording and information storage technique, was also owned by Potter during the relevant time period.

Although the record is silent as to when, if ever, Potter began manufacturing and marketing its Z buffer tape drive and GCR recording equipment, it had bulk paid-up licensing agreements with IBM and other manufacturers covering both the '894 and '685 patents as early as 1971.

In early 1970, Potter had actual and/or constructive notice that each of the defendants had developed and were selling tape drives utilizing the accused industry standard Z buffer and, later, the GCR technique.

STC introduced its first magnetic tape drive employing an industry standard Z buffer at the Atlantic City National Computer Conference in the spring of 1970—this conference was attended by Potter Representatives. STC sold its first Z buffer tape drive in late 1970.

Beginning in 1970, STC undertook a marketing program for its tape equipment which included low profit sales to original equipment manufacturers (OEMs).

On December 1, 1971, Potter wrote to STC concerning possible infringement of the '894 patent. Subsequent corresponding relating to the '894 patent between Potter's patent counsel and STC's patent counsel followed during 1972. This correspondence terminated with a letter dated January 17, 1973—nothing more was heard from Potter regarding the '894 patent until this suit was filed in 1979.

On March 8, 1973, STC publicly announced its GCR tape recording system—a copy of which announcement was received by Potter. On May 17, 1973, George W. May, then president of Potter, wrote to STC stating that the '685 patent covered the fundamental concept of GCR and offered STC a license under the '685 patent.

STC began selling its tape drives employing GCR technology after the March 8, 1973 announcement, for delivery in the fourth quarter of 1973. In March 1974, John T. Potter reported to the Potter Board of Directors that STC was infringing its '685 patent—no legal action was undertaken by Potter against STC for patent infringement until the filing of this suit in 1979.

Telex publicly announced its Z buffer tape drive in May 1970 and subsequently made shipments to customers in the latter part of 1970.

Potter first contacted Telex regarding the '894 patent in a letter dated November 10, 1971, in which Potter directed Telex's attention to the '894 patent. An exchange of correspondence followed which included a letter from Telex's patent counsel denying infringement of the '894 patent and a letter dated October 25, 1972 from Potter threatening immediate legal action if Telex did not take a license under the '895 patent. Nothing further was said or done regarding the '894 patent until this suit was filed in 1979.

In May 1975, Telex negotiated for and purchased Potter's United Kingdom assets for approximately $500,000.00.

Potter neither claimed nor mentioned infringement of its '894 patent during these negotiations.

The record is devoid of evidence concerning precisely when Telex introduced and began marketing its GCR tape equipment. However, the undisputed evidence discloses that Potter became aware of Telex's GCR equipment and the possibility that Telex might be infringing on its '685 patent in 1976—as evidenced by the exchange of correspondence between Potter and Telex with regard to the '685 patent initiated by Potter's letter of February 13, 1976 and terminated by Telex's letter of February 3, 1977.

On November 10, 1970, Sperry Univac issued a press release to approximately 75 magazines and trade journals announcing the introduction of the accused Sperry Univac Uniservo-20 tape drive. This tape drive, which employs the accused Z buffer, was given wide publicity at trade shows following the November announcement.

On December 31, 1971, the Sperry Univac Division of Sperry acquired the computer business and operations of the RCA Corporation in a widely publicized transaction. RCA had earlier acquired a paid-up license under numerous Potter patents, including the '894 patent.

CDC issued press releases to the computer industry regarding its own Z buffer tape drive no later than August 22, 1973. On or before September 27, 1973, CDC had begun leasing the accused Z buffer tape drive. As of the time of the press releases, Potter knew or should have known that CDC was marketing the accused Z buffer tape drives.

Potter never asserted any infringement claim under the '894 patent against CDC until the filing of this suit in 1979.

With respect to the GCR patent, in November 1973, the ANSI Subcommittee X3B1 received a proposal from IBM—which was licensed by Potter under the '685 patent

—for adoption of GCR recording as an industry-wide standard. GCR is allegedly an infringement of the '685 patent in suit. Representatives of Potter attended the November 1973 ANSI subcommittee meeting but did not disclose Potter's ownership of the '685 patent or any other patents relating to the proposed GCR standard.

ANSI Subcommittee X3B1 formulates industry-wide standards for magnetic tape information interchange systems. The Subcommittee had a written policy, of which all members were aware, stating that when any one or more patents are to be included within a proposed industry standard, the owner of such patent[s] must bring to the attention of the Subcommittee the existence of such patents and agree to offer licenses to members of the affected industry on reasonable and nondiscriminatory terms as a prerequisite to the adoption of the industry-wide standard. This policy was adopted to allow all industry members an equal opportunity to utilize any industry-wide standard adopted.

The GCR recording was adopted as the industry-wide standard in June of 1976.

During the time periods relevant to this suit, Potter was fully cognizant of the methods used to protect one's patents and patent rights. On January 2, 1970, it instituted a suit against Bucode, Inc. for infringement of, *inter alia*, its '894 patent (184 U. S. P. Q. 662 [1975]). After protracted litigation, the '894 patent was held valid by the District Court—this suit was compromised and settled pending appeal.

Potter took no action against any of the alleged infringers, either during or after the conclusion of the Bucode suit, prior to filing the Court of Claims' suit against the United States.

Potter's economic survival reached the acute stage in late '73 or early '74—many of its patents, including the

'894 and '685 patents, were assigned to the Midland Bank of New York as security for bank loans—Alexander was employed as its financial consultant in late 1974, and the Company filed its petition for a Chapter XI Bankruptcy in April 1975. Potter remained as debtor in possession with Alexander as its new president.

None of these infringement claims were listed as assets or choses in action in Potter's Chapter XI Bankruptcy petition.

Alexander neither petitioned the Bankruptcy Court nor took any action as debtor in possession against any of these defendants in re their right to continue using the '894 or the '685 patents, even though the Potter Board of Directors had been advised by one of its patent advisors that failure to so do might give rise to the defense of laches.

Instead, Potter sought and obtained permission from the Bankruptcy Court to employ counsel on a contingent basis to bring suit against the United States in the Court of Claims for infringement of its '894 and '685 patents—in the hopes that the Government would bring in the defendants as third-party defendants and force a settlement —which was done in a similar suit filed against the United States in the Court of Claims.

Suit was filed against the United States in the Court of Claims on March 24, 1978, and the Government gave notice of the suit to these defendants in September 1978.

Potter changed counsel in the Court of Claims' suit—and he recommended that individual infringement suits be brought in this Court against these defendants, on a contingent basis—three were filed in July 1979; three were filed in November 1979; two have been settled, and four remain to be settled and/or tried.

Although an unusually large amount of pretrial discovery has been had both in the Court of Claims and in

this Court, many of the pertinent documents have disappeared and many of the material witnesses, including the inventors of the patents in suit, have suffered lapses of memory or otherwise have become unavailable.

While the causes are myriad, much of the blame is attributable to Potter's delay in filing these suits.

Potter's unsupported contention that laches is not applicable to suits at law[5] is inapposite to all the relevant authorities.

It is clear in the Fourth Circuit that the equitable doctrine of laches is applicable to suits brought solely at law. See *Giddens v. Isbrandtsen Co.*, 355 F. 2d 125 (4th Cir. 1966). Similarly, laches has expressly been held applicable to patent infringement actions *TWM Manufacturing Co., Inc. v. Dura Corporation*, 592 F. 2d 346 (6th Cir. 1979); *Baker Manufacturing Co. v. Whitewater Manufacturing Co.*, 430 F. 2d 1008 (7th Cir. 1970), *cert. denied*, 401 U. S. 956 (1971); *Union Shipbuilding Co. v. Boston Iron & Metal Co.*, 93 F. 2d 781 (4th Cir. 1938); *Wolf Mineral Process Corp. v. Minerals Separation N. A. Corp.*, 18 F. 2d 483 (4th Cir. 1927).

Laches may be invoked when the prejudice to the defendant caused by the plaintiff's unexcused delay in instituting suit outweighs the harm to the plaintiff caused by the acts of the defendant upon which the suit is predicated. It is sustainable upon proof of two elements: (1) lack of diligence by the party against whom the defense is asserted, and (2) prejudice to the party asserting the defense. See *Costello v. United States*, 365 U. S. 265 (1961).

In construing this two-pronged standard, Judge Albert V. Bryan, Sr., speaking for the Fourth Circuit, stated in *Giddens, supra*, that:

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5. The plaintiff asserts that this consolidated action is an action at law rather than an action in equity because Potter seeks only monetary damages and no injunctive relief.

> . . . the presence of laches is ascertained by a balancing of the claimant's delay with the proferred excuse, if any, against the defendant's consequent detriment. The determination demands a weighing of equities. These in turn depend upon an assay of the circumstances. 355 F. 2d 125, 127.

The length of delay constituting laches is generally analogized to a corresponding statute of limitations—but the laches period may be longer or shorter than the analogous statutory period, depending on the individual facts and circumstances of each case. *Giddens, supra,* at 127; *Gillons v. Shell Co. of California,* 86 F. 2d 600 (9th Cir. 1936), *cert. denied,* 302 U. S. 689 (1937).

Although there is no express statute of limitations for patent infringement suits, 35 U. S. C. § 286 limits a patentee's recovery in a patent infringement action to the six-year period immediately preceding the filing of the suit. *TWM Manufacturing Co., supra,* at 348.

The time when the patentee gains knowledge—either actual or constructive—of the alleged infringement triggers the running of the laches period. *TWM Manufacturing Co., supra,* at 348; *Dymo Industries v. Monarch Marking Systems,* 474 F. Supp. 412, 414 (N. D. Tex. 1979)—the period stops when the patentee files suit against the alleged infringer.

Potter filed suit in this Court against these defendants for their alleged commercial infringement of the '894 and '685 patents in 1979. Its 1978 suit against the United States in the Court of Claims alleging that the defendants' products infringed its '894 and '685 patents was for governmental infringement only. The Court of Claims' suit did not toll the running of the laches period against these defendants for commercial infringement. See *TWM Manufacturing, supra,* at 349.

Where there has been an unreasonable delay by a patentee in bringing suit for infringement of his patent, there is a presumption that the alleged infringer has been prejudiced by the delay. The weight of authority indicates that delays in excess of six years in bringing such suits are presumptively unreasonable—and shifts the burden of proof to the patentee plaintiff to show a legally cognizable excuse for the delay.

This rule has been in existence at least since its promulgation by the Ninth Circuit in *Gillons v. Shell Co. of California,* 86 F. 2d 600 (9th Cir. 1936), *cert. denied,* 302 U. S. 689 (1937). In 1970, the Seventh Circuit in applying laches to bar a patent infringement suit delayed for seven years after notice of infringement, cited *Gillons* with approval. *Baker Manufacturing Co. v. Whitewater Manufacturing Co.,* 430 F. 2d 1008 (7th Cir. 1970), *cert. denied,* 401 U. S. 956 (1971).

While the Fourth Circuit has not specifically addressed the six-year rule, this presumption has been adopted by the Second,[6] Sixth,[7] and Tenth [8] Circuits by the district court in the Fifth [9] and District of Columbia Circuits [10]—and by this Court, and counsel has been so advised.

The plaintiff was given every opportunity to justify its long delay in bringing these infringement suits and they failed to so do.

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6. *Jones v. Ceramco, Inc.,* 387 F. Supp. 940 (E. D. N. Y. 1975), *aff'd* 526 F. 2d 585 (2nd Cir. 1975).

7. *TWM Manufacturing Co., Inc. v. Dura Corporation,* 592 F. 2d 346 (6th Cir. 1979).

8. *Maloney-Crawford Tank Corp. v. Rocky Mountain Natural Gas Co.,* 494 F. 2d 401 (10th Cir. 1974).

9. *Dymo Industries, Inc. v. Monarch Marking Systems,* 474 F. Supp. 412 (N. D. Tex. 1979).

10. *Van't Veld v. Honeywell,* 440 F. Supp. 1020 (D. D. C. 1979).

The undisputed evidence clearly shows that Potter delayed bringing suit against these defendants for infringement of the '894 patent for more than six years after it had knowledge of the alleged infringement by these defendants.

Potter's attempt to excuse this delay on the grounds they were negotiating with the defendants in re-licensing and were in the process of suing another company (Bucode) for infringement of the '894 patent—and their precarious financial condition—are simply not supported by the evidence.

Potter failed to call any of its corporate officers, many of whom were available, except its present president, to explain why their so-called licensing offers were rejected or why they delayed filing infringement suits against these defendants. None of Potter's office memoranda or copies of its correspondence in re these negotiations were offered in evidence. The correspondence in evidence came from the defendants' files. All the defendants denied they were infringing the '894 patent. That must have ended the matter as far as Potter was concerned because they did nothing to stop any of the defendants from continuing to manufacture and sell their machines. Although Potter's present president was not with the Company until late 1974, he offered no explanation as to why these suits were not filed until late 1979—except that he was too engrossed in keeping the Company financially afloat to look into the matter before then.

However one characterizes these licensing negotiations, they terminated more than six years before these infringements suits were filed.

Similarly, Potter's maintenance of the Bucode litigation does not constitute a legally cognizable excuse for Potter's delay in suing these defendants for infringement

of its '894 and '685 patents. Other patent infringement litigation brought by a patentee does not excuse a delay in suing other defendants for infringing the same patent. *Advanced Hydraulics, Inc. v. Otis Elevator Company*, 525 F. 2d 477 (7th Cir. 1975), *cert. denied*, 423 U. S. 869 (1975).

The bald knowledge that a patentee has sued other companies for patent infringement does not impute knowledge of the patentee's intention to sue all infringers for patent infringement—even if the patents in suit are identical. At the very least, at some time during the course of the Bucode litigation, Potter should have notified the defendants of its intention to sue them for infringing its '894 patent upon obtaining a favorable resolution of the Bucode case. *American Home Products Corp v. Lockwood Manufacturing Co.*, 483 F. 2d 1120 (6th Cir. 1973), *cert. denied*, 414 U. S. 1158 (1974).

For the period from 1975 up until these suits were filed in 1979, Potter cites its financial difficulties as its primary reason for failing to sue. However, except in unusual circumstances, poverty is ordinarily no excuse for delay in filing suit. A party's poverty or pecuniary embarrassment is not a sufficient excuse for unreasonably postponing the assertion of its legal rights. *Hayward v. National Bank*, 96 U. S. 611 (1877); *Leggett v. Standard Oil Co.*, 149 U. S. 600 (9th Cir. 1936), *cert. denied*, 302 U. S. 689 (1937).

The plaintiff offers no excuse for its failure to timely sue the defendants under the '685 patent—its position with respect to this patent is that there was no presumptive unreasonable delay, with the possible exception of STC—the period of delay being less than six years.

Neverthless, laches should be applied where the delay has been less than six years if the facts and circumstances so warrant—if the defendants have suffered enough preju-

dice from the delay. This policy was enunciated by the Fourth Circuit in *Fretwell v. Gillette Safety Razor Co.*, 106 F. 2d 728 (4th Cir. 1939), recognized in *Giddens v. Isbrandtsen Co.*, 355 F. 2d 125 (4th Cir. 1966), and exemplified in *Advanced Hydraulics, Inc. v. Otis Elevator Co.*, 525 F. 2d 477 (7th Cir. 1975), *cert. denied*, 423 U. S. 869 (1975).

The Court finds from the evidence that the defendants have been seriously and irreparably prejudiced by the plaintiff's delay in filing this consolidated patent infringement suit. Prejudice "contemplates the dispersal and inaccessibility of witnesses, the dimming of recollections and other disadvantages incident to the lapse of time." *Giddens v. Isbrandtsen*, 355 F. 2d 125, 127 (4th Cir. 1966). The facts are clear that, as a result of the long delay in the filing of these suits, many crucial documents, including the inventor's files, have become lost or been destroyed, and several crucial witnesses, including the inventors of the patents in suit, have either died or suffered lapses of memory. In addition, many of Potter's corporate records which are relevant to the defendants' case have been destroyed due to the ravages of time. This type of prejudice—the loss of relevant evidence—is clearly of the type upon which laches can be supported. See *Dymo Industries, Inc. v. Monarch Marking Systems*, 474 F. Supp. 412, 416 (N. D. Tex. 1979).

None of the defendants have included any possible royalty costs in the sale or lease of their machines. All claimed they were lulled into believing, by Potter's inaction, that their products were not infringing upon any of Potter's patents.

All testified they could and would have circumvented Potter's patent claims, had they been timely sued for infringement. The costs to so do now on the machines in place would be both prohibitive and impractical.

Further, the Court is of the opinion that Potter ought to be estopped from bringing an infringement action against these defendants under the '685 patent.

Estoppel is proper where "one has . . . acted to mislead another and the one thus misled had relied upon the action of the inducing party to his prejudice." *Advanced Hydraulics, supra,* at 479. Potter actively participated with the ANSI Subcommittee in developing GCR as the industry standard—it intentionally failed to bring its ownership of the '685 patent to the committee's attention notwithstanding the committee's policy to the contrary. By so doing, Potter has gained a monopoly on the GCR industry standard without any obligation to make its use available on reasonable terms to competitors in the industry.

Equity will rarely, if ever, permit one to waive by acquiescence its alleged patent rights, for a long period of time [11] and attempt to assert them after they have been adopted as the industry standard.[12]

Whatever right the plaintiff has to enforce its delayed infringement claims against these defendants will not be impaired by the dismissal of this consolidated suit—the defendants are the real parties-in-interest in the plaintiff's pending suit in the United States Court of Claims—all available discovery has been completed and the Court of Claims' action is now ready for hearing on the merits as soon as that Court's docket permits.

Surely the defendants ought not to be put to the extra expense of defending the same claims in two federal courts.

The Order dismissing the above-styled suits was entered herein on March 12, 1980, with the Court's findings and conclusions to follow.

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11. ANSI Subcommittee X3B1—November 1973.

12. The GCR recording was adopted as the industry-wide standard in June 1976.

The Clerk will send a copy of these findings and conclusions to the Honorable Francis C. Browne of the United States Court of Claims, and to all counsel of record.

/s/ OREN R. LEWIS
United States Senior District Judge

March 25, 1980

A True Copy, Teste:
W. Farley Powers, Jr., Clerk
By /s/ MARIA HEURTT
Deputy Clerk

UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

No. 80-1428

Potter Instrument Company, Inc.,

Appellant,

Versus

Storage Technology Corporation;
Telex Computer Products, Inc.;
Sperry Corporation;
Control Data Corporation,

Appellees.

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF VIRGINIA, AT ALEXANDRIA.
OREN R. LEWIS, DISTRICT JUDGE.

Argued December 4, 1980
Decided February 23, 1981

Before HAYNSWORTH, *Chief Judge*, FIELD, *Senior Circuit Judge*, and PHILLIPS, *Circuit Judge*.

David R. Murphy for Appellant; Richard E. Kurtz (Woodcock Washburn Kurtz Mackiewicz & Norris on brief) and Allen Kirkpatrick (Cushman Darby & Cushman; Alan E. J. Branigan, Griffin Branigan and Butler; Harrison McCandlish, LeBlanc Nolan Shur & Nies on brief) for Appellees.

HAYNESWORTH, *Chief Judge*:

Potter Instrument Co., Inc. filed in the district court separate suits against Storage Technology Corp., Control Data Corp., Sperry Corp., and Telex Computer Products, Inc., alleging infringement of two patents. Potter requested monetary, but not injunctive relief. The actions were consolidated for trial and the district court granted defendants' motions to dismiss on the grounds of equitable estoppel and laches.

This court has on occasion addressed the equitable doctrines of laches and estoppel in patent infringement suits. *See* Eastern Venetian Blind Co. v. Acme Steel Co., 188 F. 2d 247, 254 (4th Cir. 1951); Baker-Cammack Hosiery Mills v. Davis Co., 181 F. 2d 550, 564-68 (4th Cir. 1950); Fretwell v. Gillette Safety Razor Co., 106 F. 2d 728, 730-31 (4th Cir. 1939); Hartford-Empire Co. v. Swindell Bros., 96 F. 2d 227, 232-33, modified, 99 F. 2d 61 (4th Cir. 1938); Denominational Envelope Co. v. Duplex Envelope Co., 80 F. 2d 186, 193-94 (4th Cir. 1935). Those occasions have not invited comprehensive treatment of the subjects. Other courts, however, recently have surveyed the area. *E.g.*, Studiengesellschaft Kohle v. Eastman Kodak Co., 616 F. 2d 1315, 1325-28 (5th Cir. 1980); TWM Mfg. Co. v. Dura Corp., 592 F. 2d 346 (6th Cir. 1979).

The laches defense "may be invoked where the plaintiff has unreasonably and inexcusably delayed in prosecuting its rights and where that delay has resulted in material prejudice to the defendant." *Eastman Kodak*, 616 F. 2d at 1325.

The district court found that Potter should have known of the alleged infringement of the '894 patent for more than six years before it filed suit. A delay of six years triggers a presumption that the delay was unreasonable and that the defendant was prejudiced. *Eastman v.*

Kodak, 616 F. 2d at 1326; *TWM Mfg. Co.*, 592 F. 2d at 348-40. The district court considered and rejected each of the justifications which Potter offered for the delay.

With respect to the '685 patent, the delay in filing suit was slightly less than six years. The district court nonetheless found that the delay was unreasonable and that the defendants were prejudiced.

The invocation of the estoppel or laches doctrines is within the sound discretion of the district court and will be reversed only if clearly erroneous. *Eastman Kodak*, 616 F. 2d at 1325. Because we do not find clear error, we affirm the dismissal on the laches ground.

The district court also held that Potter "ought to be estopped from bringing an infringement action against these defendants under the '685 patent." Although we would be inclined to uphold this ground of decision on the facts of this case, we think that the invocation of the doctrine of estoppel would produce a result unintended by the district court. Unlike laches, which only bars recovery of damages for past infringement, estoppel forecloses, as well, prospective patent enforcement through an injunction or through damages for continuing infringement. *Eastman Kodak*, 616 F. 2d at 1325. The district court, however, clearly did not intended for its dismissal to have that effect:

> Whatever right the plaintiff has to enforce its delayed infringement claims against these defendants will not be impaired by the dismissal of this consolidated suit—the defendants are the real parties-in-interest in the plaintiff's pending suit in the United States Court of Claims—all available discovery has been completed and the Court of Claims' action is now ready for hearing on the merits as soon as that Court's docket permits.

Consistent with the district court's view of the preclusive effect of its decision, we limit our affirmance to the laches ground of decision.

AFFIRMED.